



Excise Tax Advisory

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INSURANCE CHARGES BY PUBLIC GRAIN WAREHOUSES

Issued September 23, 1966

Are insurance charges added by a public grain warehouse to customer's invoices a part of the gross income of the business and taxable under the Public Utility Tax?

The taxpayer, a public grain warehouse operator, was required to insure grain stored in such warehouses and to provide evidence of such insurance to the Director of Agriculture. As a matter of business practice, the cost of the insurance was prorated among the customers of the grain warehouse and charged to them as an item separate from the charge made for storage. The taxpayer was assessed a Public Utility Tax on his gross income from the warehouse which included the insurance charges. The taxpayer contended that the tax was inapplicable to the charges because he was making an advance for his customer for which he would be reimbursed, Rule 111, and, therefore, the charges were not a part of his gross income received from the operation of its business and subject to the Public Utility Tax.

Under Rule 182, persons operating public grain warehouses are taxable under the Public Utility Tax upon the gross income received from such business. The gross income of a public service business is defined by RCW 82.16.010(12) to mean

". . . the value proceeding or accruing from the performance of the particular public service or transportation business involved, including operations incidental thereto, but without any deduction on account of the cost of the commodity furnished or sold, cost of materials used, labor costs, interest, discount, delivery costs, taxes, or any other expense whatsoever paid or accrued and without any deduction on account of losses;"

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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The Tax Commission noted that the insurance which the taxpayer was required to provide was taken in his name rather than the name of the customer. Hence, the taxpayer was not making an advance for his customer for which he would be reimbursed (Rule 111) but was, in effect, collecting from each customer the prorata share of one of his expenses of doing business. It was immaterial to the determination of tax liability that this expense was billed separately or that it was billed at exact cost. Therefore, the Commission held that the insurance charges added by a public grain warehouse to customer's invoices were a part of the gross income of the business as defined in RCW 82.16.010(12) and must be included in the measure of the Public Utility Tax. (Letter.)